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Ways and Means Committee Acts On Trade Bill

The House Ways and Means trade subcommittee approved a milder version of the trade law sections of HR 3 than expected on March 12. The proposal issued by committee chairman Dan Rostenkoski (D, Ill.) and trade subcommittee chairman Sam Gibbons (D, Fla.) was slightly amended before being sent to the full committee, where the markup process is expected to be finished by the end of March. The co-chairmen's proposal, which represents an attempt to develop a compromise between the administration and a tough-minded Congress, will probably be approved by the committee, although there will be much discussion and possible amendments on the U.S. response to countries with "excessive" bilateral trade surpluses.

Rep. Richard Gephardt (D, Mo.), who sponsored last year's controversial provision to mandate a 10 percent annual reduction in the trade surpluses of

reportedly plans to include Y1.8 trillion ($11.6 billion at Y155=$1.00) for public works spending, which is almost 30 percent of the proposed spending appropriation for FY 1987.

The vice minister of International Trade and Industry, Shinji Fukukawa, called last week for strong measures to hike domestic demand. Assuming the yen remains near its current level, he predicted that Japan's unemployment rate will rise to 4 percent by 1990 from its current record-high 3 percent. Although the stimulus package being drafted by the EPA will not be made public prior to parliamentary approval of the new budget, it is expected to include additional public works spending as well as deregulation aimed at encouraging private-sector output. A further loosening of monetary policy, however, is not likely to be part of the program. Bank of Japan governor Satoshi Sumita said March 11 that the five discount rate cuts since the beginning of 1986 have lowered interest rates sufficiently.

Randall S. Jones

Notes

Congress - The current emphasis on the trade deficit is well illustrated by the sheer number of congressional hearings scheduled on this issue. During the week of March 9-13 alone there were no less than 20 congressional sessions on some aspect of the drive to revitalize this country's role in the global trade arena. The range of topics was broad, including agricultural trade, omnibus trade legislation, tied aid, export controls, the impact of the Latin America debt crisis, and several specific sectors (for example, telecommunications equipment, timber and the merchant marine). The now-familiar theme of competitiveness occurred frequently in those hearings, as it did in sessions devoted to making our educational and labor relations practices more conducive to productivity gains.

International VAN Services - Tokyo agreed March 12 to liberalize the international value-added network market in a further step toward telecommunications deregulation. The agreement is an extension of the U.S.-Japan market-oriented, sector-selective (MOSS) talks held in 1985-86. The Ministry of Posts and Telecommunications hopes to submit legislation in the current session of the Diet to allow private firms to begin offering services including electronic mail, data transmission and processing services as early as this fall. Several U.S. firms, including GTE Telenet Communications Inc. and MCI Communications Corp., already lease international circuits from Kokusai Denshin Denwa Co., Ltd. for voice transmission but are prohibited from offering value-added services. Japanese companies, such as Intec Inc. and NEC Corp., as well as other American firms, including IBM Japan Ltd., are also interested in entering the international VAN market.

FY 1987 Car Quota Allocation - Despite continued grumbling by smaller Japanese motor vehicle manufacturers about how the annual quota on U.S.-bound car shipments is allocated, the Ministry of International Trade and Industry has decided to make only one change in the formula for FY 1987: giving Daihatsu Motor Co., Ltd., the last of Japan's nine car makers to move into the American market, an allotment so that it can begin distribution later this year. The ministry, which has never made public its list of quota allocations, did not

announce a shipment number for Daihatsu, but a Japanese automotive trade paper says the producer of mini cars will be allowed to export 11,498 cars to this country during the April 1987-March 1988 period -- 0.5 percent of the unchanged 2,300,000-unit quota for FY 1987 (see JEI Report No. 4B, January 30, 1987). To accommodate these shipments, Nikkan Jidosha Shimbun reported, MITI made a 0.5 percent across-the-board cut in the allocations for other manufacturers.

Unofficial Quota Allocations, FY 1981-FY 1987

(in units)

Exporter	FY 1981-FY 1983 Quota	FY 1984 Quota	FY 1985-FY 1986 Quota	FY 1987 Quota
Toyota Motor Corp.	516,659	551,792	616,900	613,816
Nissan Motor Co., Ltd.	456,030	487,040	544,500	541,778
Honda Motor Co., Ltd.	348,631	372,338	427,000	424,865
Mazda Motor Corp.	159,282	173,468	227,800	226,661
Mitsubishi Motors Corp. (including sales to Chrysler Corp.)	112,584	122,612	195,100	194,125
Isuzu Motors, Ltd. (including sales to General Motors Corp.)	16,800	49,500	120,400	119,798
Fuji Heavy Industries, Ltd.	70,014	76,250	107,600	107,062
Suzuki Motor Co., Ltd. (for sale to General Motors Corp.)	0	17,000	60,700	60,397
Daihatsu Motor Co., Ltd.	0	0	0	11,498
Total*	1,680,000	1,850,000	2,300,000	2,300,000

*Not included in these figures are the separate quotas on exports of four-wheel-drive vehicles, station wagons and mini vans and on shipments to Puerto Rico. These quotas are estimated at 112,900 units and 95,700 units, respectively, for the FY 1985-FY 1987 period.

NEC-Intel Case - NEC Corp. lost its bid in early March to disqualify the judge hearing its copyright dispute with Intel Corp. over microprocessor design. Appeals Court Judge William Schwarzer ruled that ownership of approximately $80 worth of Intel stock by presiding Judge William Ingram was not enough to bias Judge Ingram's decision that the set of instructions built into a microprocessor is copyrightable (see JEI Report No. 36B, October 3, 1986). Judge Schwarzer argued that Judge Ingram's membership in a stock club that owned 60 shares of Intel "was too slight to raise a reasonable question as to his impartiality," and pointed out that Judge Ingram resigned from the club as soon as he learned of the possible conflict. Lawyers for NEC immediately appealed the decision, postponing final hearings in the case. Judge Ingram still must rule on whether NEC copied Intel's code.

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The views expressed in this report are those of the authors and do not necessarily represent those of the Japan Economic Institute.